

Message Text

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ACTION XMB-07

INFO OCT-01 ARA-11 EA-11 ADP-00 AID-20 CIAE-00 COME-00

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P R 221938 Z JUN 73

FM AMEMBASSH PANAMA

TO SECSTATE WASHDC PRIORITY 3337

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PANAMA 3337

EO 11652: GDS

TAGS EGEN

SUBJ: EXIMBANK COMMITMENT FOR AIRCRAFT SALE TO
PANAMANIAN FIRM

REF: STATE 118459

PASS EXPORT IMPORT BANK

SUMMARY:

ALTHOUGH AIR CARGO CARRIER CONTINUES TO OPERATE, STATUS OF INAIR UNCLEAR AND STILL MAY FACE POSSIBLE GOVERNMENT TAKEOVER. INAIR'S CERTIFICATE OF OPERATIONS EXPIRES IN AUGUST AND MAY NOT BE RENEWED. HONG KONG BUSINESSMAN (SHIPPING), MR. EDWARD WONG, CONTROLS 40 PERCENT INAIR THRU HOLDING COMPANY, PANAMA NATIONAL AIRWAYS CORPORATION (PNAC). WONG REPUTED TO BE WEALTHY AND RECENTLY FORMED PACIFIC ATLANTIC BANK, INC. IN PANAMA. FINANCE MINISTER TOLD EMB OF WONG PAID \$2.9 MILLION IN CASH FOR ASSETS OF DEFUNCT U. S. INVESTMENT BANK IN CONJUNCTION WITH FORMING PACIFIC ATLANTIC BANK. WONG'S CREDENTIALS APPEAR TO BE CONSIDERABLE AND HE MAY BE ABLE TO PERSUADE GOP TO RENEW INAIR CERTIFICATE OF OPERATIONS. END OF SUMMARY.

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1. ALTHOUGH EMB HAS NO OBJECTION TO CONSIDERATION OF PROPOSED PURCHASE BY INAIR OF TWO AIRCRAFT FROM UNITED AIRLINES, EXIMBANK SHOULD CAREFULLY CONSIDER LOCAL SITUATION REGARDING INAIR BEFORE PROCEEDING WITH COMMITMENT.

2. INAIR NOW HAS BASICALLY FOUR DC-6 AIRCRAFT, TWO OF WHICH ARE FLYING. ONE IS BEING OVERHAULED IN SAN JOSE BUT EMB UNDERSTANDS WORK HAS STOPPED PENDING PAYMENT OF A \$25,000 BILL. COMPANY HAS OPERATED SINCE 1967 ON A SHOESTRING. BASED ON DISCUSSION WITH FORMER OWNERS (WHO NOW HOLD 16 PERCENT OF THE STOCK), EMB UNDERSTANDS THAT CHIEF OF GOVERNMENT GENERAL TORRIJOS HAS NOT BEEN IMPRESSED WITH AIRLINE AND PARTICULARLY DOES NOT LIKE THEM (THE VALLARINO FAMILY). THEY RECENTLY INDICATED THAT THEY DO NOT EXPECT THE GOVERNMENT TO RENEW THE CERTIFICATE OF OPERATIONS WHICH EXPIRES IN AUGUST OF THIS YEAR.

3. OVER A YEAR AGO PANAMA NATIONAL AIRWAYS (PNAC) WAS FORMED AS A PANAMA "PAPER" COMPANY, ONE OF THE VARIOUS ENTERPRISES OF EDWARD WONG, A PROMINENT HONG KONG BUSINESSMAN WHO ALSO BOUGHT THE ASSETS, INCLUDING A NEW 13- STORY BUILDING, OF THE DEFUNCT U. S. INVESTMENT BANK IN ORDER TO ESTABLISH THE PACIFIC ATLANTIC BANK (INAUGURATED JUNE 14, 1973). ONE OF THE FEW STOCKHOLDERS IS H. C. SCHIRO, (ALSO A DIRECTOR OF THE PACIFIC ATLANTIC BANK WHO, ACCORDING TO LOCAL PANAM MANAGER, HAS EXTENSIVE ADMINISTRATIVE BACKGROUND DURING HIS 25 YEARS WITH PAN AMERICAN.. PANAM MANAGER SAID HE WAS PANAM'S AIRPORT MANAGER IN HONG KONG AND SINGAPORE. ON OR ABOUT JUNE 8, 1973, PNAC ACQUIRED 40 PERCENT OF THE STOCK OF INAIR. ACCORDING TO SCHIRO, A MR. DURAN, WHO IS DIRECTOR OF THE VARIOUS WONG ENTERPRISES, ACQUIRED 11 PERCENT, LEAVING THE VALLARINO FAMILY WITH 16 PERCENT, INAIR EMPLOYEES WITH 20 PERCENT AND OTHER STOCKHOLDERS 13 PERCENT. VALLARINOS HAVE INDICATED THAT THEY DO NOT PLAN TO CONTINUE AN ACTIVE ROLE IN THE BUSINESS. ONE HAS JOINED A FIRM OF ECONOMIC CONSULTANTS AND THE OTHER PLANS TO MOVE TO THE UNITED STATES.

4. ACCORDING TO INFO PROVIDED BY WONG AND SCHIRO TO
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EMB, WONG IS A MULTI- MILLIONAIRE WHOSE MAIN BUSINESS IS THE TAI HING COMPANY OF HONG KONG. WONG STATES HE HAS SEVEN PASSENGER SHIPS AND TWO CATTLE SHIPS OPERATING IN THE EAST ASIAN AREA. OTHER BUSINESS ENTERPRISES INCLUDE CATTLE IN AUSTRALIA. HE RECENTLY ATTEMPTED TO BUY A LOCAL COUNTRY CLUB FOR \$2 MILLION TO BUILD RESORT HOTEL (AS HE IS ALSO NOW DOING IN HONG KONG) BUT FAILED TO

COMPLETE PURCHASE WHEN CITY OF PANAMA DECIDED TO BUY IT FOR PUBLIC PARK. HIS INTENTION IS TO LINK HIS FAR EASTERN TRANSPORTATION SERVICE WITH THE CARIBBEAN BY BOTH PASSENGER SHIP AND CHARTER AIRLINE SERVICE FOR WHICH ONE OF THE 720- B' S MENTIONED REFTEL WOULD BE USED.

5. ALTHOUGH INAIR HAS HAD FINANCIAL DIFFICULTIES IN PAST, WONG' S FINANCIAL BACKING AND SCHIRO' S ADMINISTRATIVE EXPERIENCE SHOULD IMPROVE QUALITY OF SERVICE. HOWEVER, WONG AND SCHIRO ADMIT THAT ATTEMPTS TO ENTER AIR CARGO BUSINESS IN PANAMA MAY HAVE BEEN A MISTAKE IN VIEW OF GENERAL TORRIJOS' INTEREST IN ESTABLISHING A GOVERNMENT CARGO AIRLINE CALLED PANA- CARGA (WHICH COULD ONLY OPERATE BY TAKING OVER PERSONNEL AND FACILITIES OF INAIR). WONG HOPES HIS APPOINTMENT OF CLOSE ASSOCIATE OF THE GENERAL TO BE ONE OF HIS BANK DIRECTORS MAY INSURE HIM FROM BEING PUT OUT OF AIRLINE BUSINESS. EMPLOYEES HAVE ON TWO OCCASIONS PUBLICLY AFFIRMED PREFERENCE FOR INAIR OVER GOVERNMENT ENTERPRISE AND LOCAL BUSINESS COMMUNITY HAS ALSO BECOME ALARMED ABOUT POSSIBLE GOVERNMENT TAKEOVER OF AIR CARGO BUSINESS. HOWEVER, AT THIS MOMENT WONG IS NOT SURE WHAT INAIR' S FUTURE WILL BE.

6. NOTWITHSTANDING THE FACT THAT INAIR OPERATION FACES PROBLEM IN RENEWAL OF CERTIFICATE OF OPERATIONS AND POSSIBLE TAKEOVER BY GOVERNMENT, WONG MAY SUCCEED IN PERSUADING GOP TO GRANT CERTIFICATE RENEWAL AND IN ANY EVENT APPEARS TO HAVE SUFFICIENT WEALTH TO WITHSTAND OCCASIONAL BUSINESS REVERSAL.
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